



## CITY COUNCIL AGENDA REPORT

**June 10, 2019**

**TO:** Mayor and Councilmembers  
**FROM:** Lourdes Aguirre, Finance Director  
**SUBJECT:** Resolution No. 19-12  
**AFFECTED DEPARTMENTS:** Finance / City-Wide  
**ITEM REQUEST:** Tentative Budget FY 2019-2020  
**TITLE OF AGENDA ITEM:**

RESOLUTION NO. 19-12 OF THE MAYOR AND COUNCIL OF THE CITY OF SOUTH TUCSON, ARIZONA, FOR THE ADOPTION OF THE TENTATIVE BUDGET OF THE CITY OF SOUTH TUCSON FOR THE 2018-2019 FISCAL YEAR, ADOPTING THE ESTIMATED AMOUNTS REQUIRED TO MEET THE PUBLIC EXPENSES FOR THE FISCAL YEAR 2019-2020, AUTHORIZING AND DIRECTING PUBLICATION OF THE STATEMENTS AND SCHEDULES OF THE TENTATIVE BUDGET

### **EXECUTIVE SUMMARY:**

The City of South Tucson held its first study session regarding the FY2020 Baseline Budget in March upon the hire/arrival of the new City Manager. Since then, there have been various study sessions with the Council and a total of five (5) meetings with the Citizens Advisory Committee. The topics of discussion surrounded the condition of the general fund, major challenges being faced by the City today and its options. Notable to say that both staff and committee members dedicated many hours to the research, discussion and review of all cost implications.

On May 24th, the committee compiled a total of 7 recommendations, of which 5 had budgetary impacts. These recommendations were presented in a joint meeting with Council on May 28<sup>th</sup> and approved by Mayor & Council that same day. The committee's recommendations were carefully crafted to address certain areas of need. Revenue generating recommendations were made in the areas of Business License Fees and Permit / Inspection Fees to help offset the need for more enforcement. The net effect of all committee recommendations was a deficit of -\$19,033 (Fiscal Year 2020 Tentative Budget, page 26).

Aware of all the challenges the city continues to face, staff presented a total of 5 conservative recommendations to Mayor & Council on March 25<sup>th</sup> and once again on April 29<sup>th</sup> for approval. With city expenses and staffing already at a minimum, staff's recommendations were designed to avoid any disruption in service to the community, while providing a short-term solution that would help sustain (pay for) city operations during the necessary, but long- term economic development/planning efforts. The net effect of all of staff's revenue and savings recommendations was \$213,496 (Fiscal Year 2020 Tentative Budget, page 25)

Together, and as represented in this Fiscal Year 2020 Tentative Budget, these recommendations helped reduce the general fund deficit from -\$293,204 to -\$98,741, which will be covered by fund balance reserves expected to end at \$781K by June 30<sup>th</sup> of this year. All of the revenue generating recommendations are scheduled for Mayor & Council consideration / approval at a later date (details posted online). Should any of the posted recommendations fail to pass, the Final Budget could be amended to reduce fund balance reserves by an additional \$147,200 for a total of \$245,941. Assuming all current revenue collections and expenditures maintain constant and there are no catastrophic events, a recurring deficit of \$245,941 could potentially deplete general fund balance reserves in 3 years.

As presented by staff, the “short-term solution” and major component of this deficit reduction plan was the implementation of a ½ cent (0.5%) sales tax increase in the areas of communications, utilities and retail sales (all currently below the average city tax rate of 5.5%). While the increase will affect both businesses and residents, we estimate the impact will be minimal, conservative and across the board. Just as an example: for a business with a utility bill of \$1,000/month the increase will result in \$5, whereas the average homeowner with a utility bill of \$100/month will see an increase of \$0.50.

Ultimately, the goal is financial sustainability, but long-term planning will be ineffective without the resources to help carry it through.

The amount of the Tentative Budget being presented for Fiscal Year 2020 is \$8,902,830. It is comprised of \$5,295,154 in General Fund and \$3,607,676 in Special Revenue Funds (Restricted).

**RECOMMENDATION(S):** Approve Tentative Budget through Resolution No. 19-12

**Attachment(s):** Staff’s Deficit Reduction Plan (approved 04-29-2019)  
Citizen’s Advisory Committee Recommendation Summary (approved 05-28-2019)  
Fiscal Year 2020 Tentative Budget & Auditor General Schedules A-G Budget Form

City Manager Concurrence: \_\_\_\_\_ **COPY**